

EMERGING CITIES. EMERGING WEALTH. EMERGING OPPORTUNITIES.

Offering long-term value in emerging markets investments



MAY 2023

UK closed-end investment trust focused on long-term total return

OBJECTIVE

Utilico Emerging Markets Trust plc ("UEM") seeks to provide long-term total return by investing predominantly in infrastructure, utility and related sectors mainly in emerging markets.

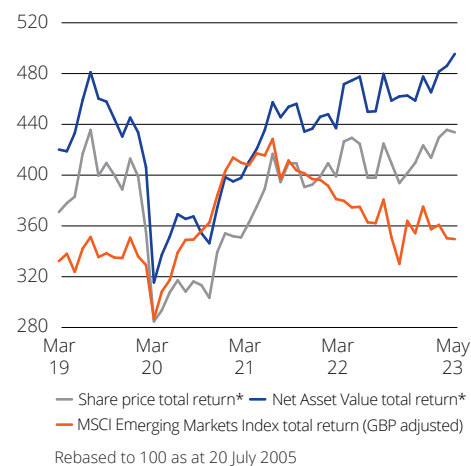
INVESTMENT APPROACH

To seek to invest mainly in companies and sectors displaying the characteristics of essential services or monopolies such as utilities, transportation infrastructure, communications or companies with a unique product or market position.

KEY DATES

Launch Date⁺	20 July 2005
Year End	31 March
AGM	September 2023
Ex-Dividend Dates	September, December, March & June
Dividend Paid Dates	September, December, March & June
Continuation Vote	To be proposed at the AGM in 2026

PERFORMANCE



PERFORMANCE (Total return*)

ROLLING 12 MONTH PERFORMANCE (Total return*)

	1 month	3 months	1 year	3 years	5 years	Inception	May 23	May 22	May 21	May 20	May 19
Share Price	(0.5%)	4.9%	2.1%	41.0%	26.1%	333.7%	2.1%	9.1%	26.5%	(19.7%)	11.4%
Net Asset Value ("NAV") per share	1.9%	6.5%	3.7%	40.9%	27.8%	395.5%	3.7%	9.7%	23.8%	(18.8%)	11.7%
MSCI Emerging Markets Index (GBP adjusted) ("MSCI")	(0.2%)	(2.2%)	(6.8%)	10.2%	3.9%	249.6%	(6.8%)	(9.8%)	30.9%	(2.0%)	(3.8%)

FUND DETAILS

ORDINARY SHARES

NAV per share at launch +	98.36p
NAV per share (cum income)	258.16p
Share price	219.00p
Discount to NAV	(15.2%)
NAV per share total return since launch *	395.5%
Annual average compound return *	9.4%
Historic dividend paid per share (last 12 months)	8.30p
Historic dividend yield (last 12 months)	3.8%
Ongoing charges figure	1.4%
Shares in issue	201,579,356
Ticker	UEM.L

CAPITAL STRUCTURE

Gross Assets less Current Liabilities	£554.4m
Bank Debt	£(34.0)m
Shareholders' Funds	£520.4m
Gearing/(net cash)	3.9%

Gearing AIC – standardised gearing calculation as recommended by the AIC is based on net assets

INVESTMENT MANAGERS

UEM is managed by ICM Limited and ICM Investment Management Limited, which is authorised and regulated by the Financial Conduct Authority.
www.icm.limited

INVESTMENT MANAGEMENT FEE (PER ANNUM)

1.0% of NAV up to and including £500m; 0.9% of NAV exceeding £500m up to and including £750m; 0.85% of NAV exceeding £750m up to and including £1,000m; and, 0.75% of NAV exceeding £1,000m.

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+ Utilico Emerging Markets Limited – UEM's predecessor

* Total return is calculated based on undiluted NAV plus dividends reinvested and adjusted for the exercise of warrants and subscription shares

Important Notes

The information presented on this document is solely for information purposes and is not intended to be, and should not be construed as, an offer or recommendation to deal in UEM. Investments in UEM are subject to investment risks and the value of investments and the income derived from them may fall as well as rise and investors may not get back the principal amount invested. Past performance is not indicative of future performance. Investors should read the prospectus along with the supplement(s) and seek relevant professional advice before making any investment decision. The information presented has been obtained from sources believed to be reliable, but no representation or warranty is given or may be implied that they are accurate or complete. The Investment Managers reserve the right to make any amendments to the information at any time, without notice. Issued by ICM Investment Management Limited (registered in England: 08421482), which is authorised and regulated by the Financial Conduct Authority (FRN: 630094).



PERFORMANCE

UEM's NAV total return increased by 1.9% in May, ahead of the MSCI Emerging Markets total return Index which was down by 0.2% in Sterling terms.

Equity markets were mixed in May, with concerns over the debt ceiling and the prospect

of default dominating US headlines, though this was ultimately averted by legislation just after month end. The Federal Bank approved its tenth consecutive interest rate increase, with the European Central Bank also rising in the month. The S&P 500 Index was up just 0.2% over the month, while in Europe the Eurostoxx fell 3.2%.

After a promising start to the year, the reopening in China looks to have stalled, with residential sales dropping below pre-pandemic levels and factory activity unexpectedly contracting with manufacturing PMI falling to a five-month low of 48.8. Whilst the Western world continues to struggle with inflation, it is notable that China is flirting with deflation with CPI at just 0.2%. Hong Kong's Hang Seng Index fell 8.3% whilst the Shanghai Composite was down 3.6% in May.

Brazil continued to be a highlight, with the Bovespa Index up 3.7% over the month as local markets responded positively to the consumer inflation rate falling to just 3.9%, increasing the likelihood of interest rate cuts. With the Central Bank rate at a six-year high of 13.75%, Brazil has one of the highest real rates in the world and significant scope to cut rates. Brazil GDP growth of 4.0% in Q1 also surprised on the upside, boosted by record grain production. Elsewhere in Latam, the Mexico Bolsa declined by 4.3% while the Chilean IPSA Index firmed by 1.0%.

Inflation in India fell to an 18-month low with CPI at 4.7% for April, though the Reserve Bank of India indicated that rate cuts were unlikely in the near term. One concern is that food inflation will rise later this year as an El Nino weather event has now started, which usually results in hotter and drier weather in South Asia. The Indian Sensex and the Vietnam Ho Chi Minh Index were both up 2.5% in May.

In the currency markets, the US Dollar rallied, with the DXY Dollar Index strengthening by 2.6% and USD up 1.4% against Sterling over the month. EM currencies were mixed against Sterling, with the Brazilian Real and the Chinese Renminbi declining 0.9% and 1.1% respectively versus GBP. In contrast, the Vietnamese Dong was up 1.3% and the Indian Rupee firmed by 0.3% against Sterling.

PORTFOLIO

The majority of investments in UEM's portfolio posted share price increases during May. There were two changes to the top thirty holdings, with Omega Energia and Grupo Traxion replacing GAP and BVC due to disinvestment and relative performance respectively. Omega, a renewables operator in Brazil, was one of UEM's top holdings a few years ago in its previous guise Omega Geracao, a position we exited in 2019-20 on valuation grounds. This proved prescient as the shares have significantly de-rated over the past three years and offered an attractive re-entry level which we effected in Q1.

UEM's Chinese investments performed poorly in May, with Kunlun Energy falling 14.1%, Shanghai Airport down 13.4%, and China Gas declining by 11.7%. Much of this relates to indiscriminate selling pressure in local markets, with gas companies caught up in concerns over the real estate slowdown and airports on consumption outlook, though the latter seemingly ignores the fact that domestic passenger figures have now rebounded to over 20% higher than pre-Covid levels.

All of UEM's top thirty in Brazil outperformed the local index, helped by their classification as long-duration plays geared into a declining interest rate environment. Santos Brasil's share price soared 17.8% on the back of speculation that MSC may be interested in acquiring Santos, while Eletrobras was up 8.2%, Omega up 7.2% and Alupar up 6.9%. In Chile, Aguas Andinas appreciated by 9.4% and ECL rose 12.5% on the back of advancing financials and improved hydrology prospects as El Nino typically boosts rainfall in the country. In Mexico, OMA fell 7.1% following President Lopez Obrador's decision to expropriate a rail line, elevating concerns that airport concessions may also be at risk.

Elsewhere in Asia, notable performances were seen with KINX's share price up 9.4% and FPT up 8.4%, while ICT fell 10.1% reflecting concern over a slowdown of global trade. India share price movements were comparatively subdued, with GSPL up 5.4% and Indigril down 2.5%.

During May, purchases for the portfolio totalled £2.1m and realisations totalled £14.6m.

DEBT

UEM's bank debt decreased from £36.4m to £33.9m and was drawn as USD 20.0m, EUR 12.0m and GBP 7.5m.

OTHER

UEM's share price ended May at 219.00p, down 0.5%. The discount to NAV disappointingly widened to 15.2% from 13.1%. UEM bought back 532,900 shares at an average price of 225.28p in the month.

On 22 May 2023, UEM declared a fourth quarterly interim dividend of 2.15p per ordinary share in respect of the year ended 31 March 2023, which will be paid on 23 June 2023 to shareholders on the register on 2 June 2023.

Charles Jillings

ICM Investment Management Limited and ICM Limited

SECTOR SPLIT OF INVESTMENTS

Electricity	19.0%
Ports and Logistics	17.5%
Renewables	13.1%
Data Services and Digital Infrastructure	12.2%
Gas	7.7%
Water and Waste	7.0%
Telecommunications	6.1%
Airports	6.0%
Infrastructure Investment Funds	4.0%
Other	3.8%
Road and Rail	3.6%

TOP THIRTY HOLDINGS		% of total investments
1	Petalite Limited	5.3%
2	International Container Terminal Services, Inc.	4.4%
3	Alupar Investimento S.A.	4.2%
4	Gujarat State Petronet Limited	3.6%
5	Orizon Valorizacao de Resiuos S.A.	3.5%
6	India Grid Trust	2.8%
7	FPT Corporation	2.5%
8	Power Grid Corporation of India Limited	2.4%
9	Umeme Limited	2.4%
10	Santos Brasil Participacoes S.A.	2.4%
11	Engie Energia Chile S.A.	2.3%
12	VinaCapital Vietnam Opportunity Fund Ltd	2.3%
13	Rumo S.A.	2.2%
14	Citic Telecom International Holdings Limited	2.1%
15	CGN Capital Partners Infra Fund 3	2.1%
16	Aguas Andinas S.A.	2.1%
17	InPost S.A.	2.0%
18	China Datang Corporation Renewable Power Co., Limited	2.0%
19	Centrais Eletricas Brasileiras S.A. (Eletrobras)	1.9%
20	Korean Internet Neutral Exchange Inc. (KINX)	1.8%
21	KunLun Energy Company Limited	1.8%
22	China Gas Holdings Limited	1.7%
23	Grupo Aeroportuario del Centro Norte, S.A.B. de C.V. (OMA)	1.6%
24	Vamos Locacao De Caminhoes, Maquinas E Equipamentos S.A.	1.6%
25	Powergrid Infrastructure Investment Trust	1.4%
26	Conversant Solutions Pte Limited	1.4%
27	Omega Energia S.A.	1.4%
28	Telelink Business Services	1.3%
29	Grupo Traxion S.A.B. de C.V.	1.3%
30	Shanghai International Airport Co., Ltd	1.3%
Total Top Thirty		69.1%

GEOGRAPHICAL SPLIT OF INVESTMENTS

Brazil	22.8%
China incl. HK	15.0%
India	11.2%
Vietnam	7.2%
UK	6.3%
Other Europe	6.0%
Middle East/Africa	5.7%
Chile	4.4%
Other Asia	4.4%
The Philippines	4.4%
Mexico	4.0%
South Korea	3.2%
Poland	2.9%
Colombia	2.5%